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February 9, 2011

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chairman Schapiro,

On behalf of Catholic Relief Services ("CRS") and the Committee on International Justice and Peace of the United States Conference of Catholic Bishops, we welcome the Securities and Exchange Commission's (SEC or the Commission) proposed rules for the implementation of **Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act")** in **File S7-42-10, 75 Fed. Reg. 80978 (Dec. 23, 2010)**. We also appreciate the opportunity to provide comments on the proposed rules for implementation of this provision.

We offer these comments as leaders in a world-wide community of faith and as investors. We advocated with members of Congress on the design and passage of the extractives transparency provision of the Dodd-Frank Act, and are familiar with the intent of its provisions. We favor more disclosure over less so that there is a level playing field and transparency in revenue payments; we favor comprehensive reporting over partial reporting that may leave out important information for investors; and we favor uniform application of rules and regulations to issuers without exceptions.

As leaders of the Catholic community, three general perspectives shape our comments. First, the Catholic Church has substantial and concrete experience in resource-rich countries. Catholic Bishops here in the United States and in many other countries have stressed the importance of transparency in extractive revenue – its origins, its beneficiaries. Second, Catholic Relief Services (the International Humanitarian and Development Agency of the U.S. Bishops) works in collaboration with agencies of Caritas Internationalis in thirty-seven countries that are classified by the IMF as rich in oil, gas and/or minerals yet have high rates of poverty. In countries that host extractive industries, we see first-hand the importance of the disclosures and transparency required by this law to good governance, peace and stability, and an environment favorable to businesses (large and small, local and international) that are the drivers of development in these countries. CRS has provided technical support to the Church in many countries for their work related to extractives. Third, there is the need for investors, including CRS and Catholic congregations, organizations and individuals, to obtain comprehensive information about investment risks related to the commercial exploitation of oil, minerals and gas, as well as information essential to making socially responsible decisions. *In applying these three factors, we have relied on our organizations' technical and policy staff.*

With a few exceptions, we support the proposed rules, as laid out by the SEC. We urge the Commission not to weaken the impact of the rules (as some of the questions in File S7-42-10 seem to indicate is possible). We strongly support the language that adheres to the intent of Congress as set out in the text of the law and as clarified by letters from the legislation's sponsors. We underscore here the elements of the proposed rules that we believe are essential to retain intact as well as those that we believe could be adjusted to more fully align with both our understanding of the intent of Congress and with effective implementation so as to provide significant benefits to investors as well as to the citizens of the countries where the issuers operate, including the United States.

Definition of "Resource Extraction Issuer": We support the draft rules as proposed and as discussed in Section II.B. In Questions 1-5, we agree with the SEC that the provision is meant to apply to all companies "that are engaged in the commercial development of oil, gas and minerals, and that are required to file annual reports with the Commission." As Senator Benjamin Cardin noted in his December 2010 letter to the SEC, "the intent was to include all issuers, including foreign issuers, which have a reporting requirement to the SEC," and we agree there should be no exceptions. Broad coverage is necessary to level the playing field for companies. In particular, it is the smaller companies that constitute the riskiest investments, and investors would benefit significantly from disclosures of payments made by these issuers. Small mining companies make up a significant proportion of the mining sector, especially during the particularly risky exploration phase. Exempting these companies would severely limit investors' ability to judge their risks. Because this legislation is being looked to as the basis for a global standard, exemptions of any kind would lead to institutionalizing gaps that would undermine the competitiveness of U.S. companies.

Definition of "Commercial Development of Oil, Natural Gas, or Minerals": In response to Questions 6-11, we agree with the proposal that, at a minimum, all activities detailed in the law should be included in the reporting. We welcome and agree with the Commission's questions on whether to include payments for transport activities related to export. We request that this be defined to include pipelines as well as other transportation within and across countries for the purposes of processing or sale of extracted materials. This is not a broadening of the definition in the statute. Rather this is consistent with the "other significant actions" in the statute's list: transportation activities are normally necessary elements of processing and export, and the purpose of pipelines is the export of extracted materials.

Definition of Payment – Types: We agree with the SEC that specific details be provided on payments to be included. We agree with items on the list of payment suggested by the SEC and suggest that other payments to governments be included as well. We request that the SEC consider adding the additional types of payments suggested in the letter from the Publish What You Pay (PWYP) U.S. coalition (CRS is a member of that coalition) as these can form a significant part of payments to governments. Any exclusions would undermine the utility of the information.

Definition of Payment – Not de Minimis: We question and disagree with the Commission's suggestion that "not de minimis" be left undefined as part of the rules. It is particularly important that all companies follow the same standard of reporting and that the information in their reports is comparable. Therefore, de minimis should be the same for all companies (Question 34). If a specific de minimis amount is identified, the amount should be significantly less than $100,000, and that threshold amount should be defined as an aggregate of payments of the same type during the reporting period covered (Question 30). Regarding Questions 30, 32, 33 and 35-37, a de minimus definition based on percentages would be extremely distorting and should not be used as it would eliminate comparability and disfavor small companies.

Definition of Payment – Project: Because of the potential for confusion that exists, the rules should define "project" (Question 39). As the statute clearly states that payments are to be disaggregated by both country and by project, "project" cannot be simply defined as all operations in a country (Questions 44 and 48). The definition should include the entire life cycle of extractives operations, from exploration to closure and remediation, if any (Question 45).

Definition of Payment - Other Matters: We agree that no exemptions on other matters be provided. All of the potential exemptions explored in Questions 54-60 would reduce the efficacy and utility of the regulations. We underscore the statement in Senator Cardin's December 1 letter that "there should be no exemptions for confidentiality or for host country restrictions" as this would prevent investors and civil society from accessing important information. Such exemptions would constitute a perverse incentive for the design of contracts and host country laws that would restrict the availability of this critical information, which would directly contravene the purpose of the law and make the situation worse. Regarding Questions 55-57, it is precisely in the countries that might be most inclined to pass such laws that the disclosures provided for by this law are most useful to investors. It is in these countries that issuers tend to face the most risky business climates and where investments would be most at risk. Regarding Question 58, CRS operates in more than 100 countries, and we take safety and security extremely seriously. We have heard of no instances where operations' or employees' safety or security has been put at risk because of legitimate disclosure of information on the issuer's payments to a government.

Definition of "Foreign Government": We support the Commission's proposed definition and welcome the decision to specify the inclusion of subnational governments (Questions 61 and 65). This is a very important aspect of issuers' payments as they can be quite substantial and as they can be directly related to the level and types of risks in the local operating environment.

Disclosure Required and Form of Disclosure: We strongly request that issuers be required to file (rather than furnish) the information cited by this law. The location of the information in the exhibits and in the report itself should be consistent with filing. It is very important that the data be available to the public in an interactive format with the full level of detail of the information the law requires issuers to report being made publically available. The format should allow for ease of use of the data, for example for aggregated and disaggregated comparisons

across currencies, time, business segment, projects, all required payment types, countries and companies (Questions 80 - 86). This is important to investors. It is also a vital aspect of reducing the risks in the business environments of the host countries by allowing citizens to use the information to promote improved governance and the kind of economic growth that increases stability for businesses and citizens alike.

Transparency in extractive industry payments to governments is important to us as leaders of the Catholic community of faith and institutions that are investors and consumers. We believe these principles, policies, and rules can help protect the lives, dignity and rights of some of the poorest and most vulnerable people on earth. The rules have moral and human consequences as well as economic and political impact. Other markets have already indicated that they will be looking to these rules as setting the international standard, so it is essential that they provide appropriate coverage to ensure a level playing field for companies and appropriate detail to allow investors to accurately judge risks. We appreciate your dedication to the sound implementation of this provision of the Dodd-Frank Act.

Sincerely yours,

Most Reverend Howard J. Hubbard
Bishop of Albany
Chairman
Committee on International Justice and Peace

Ken Hackett
President
Catholic Relief Services